

## Message Text

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ORIGIN ARA-10

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DRAFTED BY ARA/APU:JMSMITH:MMG

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FM SECSTATE WASHDC

TO AMEMBASSY BUENOS AIRES

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E.O. 11652: N/A

TAGS: EINVA, AR

SUBJECT: EXPROPRIATION CASES

1. DEPUTY ASSISTANT SECRETARY FISHLOW MET MARCH 9 WITH EDUARDO ZALDUENDO, PRESIDENT OF THE ARGENTINE CENTRAL BANK, TO DISCUSS THE PENDING EXPROPRIATION CASES INVOLVING US FIRMS IN ARGENTINA. ZALDUENDO WAS ACCOMPANIED BY DIEGO MEDUS, DIRECTOR GENERAL OF NORTH AMERICAN AFFAIRS OF THE FOREIGN MINISTRY, REYANALDO BAJRAJ, DIRECTOR OF THE OFFICE OF DOMESTIC ECONOMIC POLICY OF THE ECONOMY MINISTRY, AND ARGENTINE EMBASSY FINANCIAL COUNSELOR DANTE SIMONE.

2. FISHLOW RECALLED THAT ON JANUARY 16 WE HAD DISCUSSED WITH AMBASSADOR VAZQUEZ THE KINDS OF CONCRETE STEPS TOWARD THE GOA TO TAKE WITHIN THE NEXT SIXTY DAYS IF ARGENTINA IS NOT TO LOSE THE BENEFITS OF GSP. THE SIXTY DAYS WILL EXPIRE ON MARCH 16, AND WE CANNOT YET SAY THAT SUFFICIENT PROGRESS HAS BEEN MADE.

3. ZALDUENDO SAID THE CHASE MANHATTAN CASE WAS CLOSE TO SOLUTION. THE BILL PROVIDING FOR THE ESTABLISHMENT OF THE LIMITED OFFICIAL USE

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INVESTMENT BANK HAD BEEN PRESENTED TO CONGRESS. WITH

RESPECT TO COMPENSATION FOR CHASE'S EXISTING ASSETS, CHASE

HAD BEEN FAMILIAR WITH THE PREVIOUS TWO DECREES, BUT, AFTER THEY HAD BEEN SIGNED BY THE PRESIDENT, REQUESTED CERTAIN CHANGES IN THEM. THESE CHANGES HAD BEEN INCORPORATED IN A NEW DECREE, WHICH HAD BEEN APPROVED BY MR. IBARRA, THE CHASE REPRESENTATIVE IN ARGENTINA, ON MARCH 5. THE DECREE HAD THEN GONE TO ECONOMY MINISTER MONDELLI FOR APPROVAL ON MARCH 8.

4. FISHLOW NOTED THAT THERE HAD BEEN NO PROGRESS AT ALL IN THE STANDARD ELECTRIC CASE. ZALDUENDO SAID THIS CASE WAS OUTSIDE THE JURISDICTION OF THE CENTRAL BANK, BUT SAID HE WOULD SPEAK TO MONDELLI ON THE TELEPHONE THAT EVENING ABOUT IT. FISHLOW SAID THAT AMONG THE ACTIONS WE WOULD LIKE TO SEE TAKEN IN THIS CASE WOULD BE THE ISSUANCE OF NEW WORK ORDERS TO THE FACTORY AND THE GRANTING OF PERMISSION FOR THE REPATRIATION OF THE PROCEEDS OF THE SALE OF THE SHERATON HOTEL. BAJRAJ SAID THE GOA'S OFFER OF CREDIT TO STANDARD TO PAY WORKERS' SALARIES SHOWED THE GOA DID NOT WANT TO LET THINGS GET WORSE.

5. MEDUS REFERRED TO FISHLOW'S MENTION OF THE POSSIBLE LOSS OF GSP BENEFITS BY ARGENTINA AND SAID THAT IF THE USG SHOULD ADOPT A HARD POSITION WITH RESPECT TO ARGENTINA, AT A TIME WHEN ARGENTINA IS EXPERIENCING VERY DIFFICULT POLITICAL AND ECONOMIC PROBLEMS, THE GOA WOULD BE COMPELLED TO TAKE A HARD POSITION IN RETURN. THIS COULD DO HARM TO US-ARGENTINE RELATIONS THAT WOULD TAKE YEARS TO REPAIR. FISHLOW SAID THE USG WAS UNDER CONGRESSIONAL PRESSURE TO ENFORCE THE LAW. MEDUS REPLIED THAT HE WAS AWARE THAT THE US WAS IN AN ELECTION YEAR, BUT THAT ARGENTINA IS ALSO IN AN ELECTION YEAR. ZALDUENDO ADDED THAT THE USG SHOULD KEEP IN MIND THAT THE 60-DAY PERIOD WAS DIVIDED BETWEEN 30 DAYS FOR ONE ECONOMY MINISTER AND 30 FOR ANOTHER, AND ALSO INCLUDED THE SUMMER HOLIDAY PERIOD.

6. FISHLOW OBSERVED THAT IN THE EXXON CASE THERE HAD BEEN NO PROGRESS DURING THE 60-DAY PERIOD. MEDUS REPLIED LIMITED OFFICIAL USE

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THAT THE EXXON CASE SEEMED LESS URGENT THAN THE OTHERS BECAUSE THE COMPANY WAS NOT ACTUALLY SUFFERING UNDER THE CURRENT INFORMAL ARRANGEMENT.

7. FISHLOW CONCLUDED BY EMPHASIZING THAT THIS WAS A VERY SERIOUS PROBLEM AND THAT EVERY EFFORT SHOULD BE MADE TO AVOID A CONFLICT BETWEEN THE TWO GOVERNMENTS OVER THIS MATTER. KISSINGER

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